

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF THE EXAMINATION OF:

DELTA DENTAL OF ILLINOIS
111 SHUMAN BOULEVARD
NAPERVILLE, IL 60563

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425) do hereby appoint Examiner-In-Charge, Max Weaver and associates as the proper persons to examine the insurance business and affairs of Delta Dental of Illinois, NAIC # 47589, and to make a full and true report to me of the examination made by them of Delta Dental of Illinois, with a full statement of the condition and operation of the business and affairs of Delta Dental of Illinois with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Delta Dental of Illinois.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Springfield, this 12th day of January, 2012.

Robert E. Wagner

Acting Director



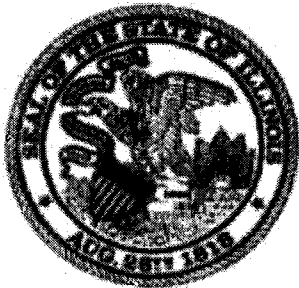
IN THE MATTER OF THE EXAMINATION OF

DELTA DENTAL OF ILLINOIS
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MARKET CONDUCT EXAMINATION WARRANT


I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425) do hereby appoint Victor Reyes, Amy Kurson, Joe Tighe, Tom Condon, and James Robinson as Examiners to assist the Illinois Department of Insurance ("Department") in the completion of the market conduct examination of Delta Dental of Illinois, NAIC # 47589, (the "Company") by reviewing and completing the examination report prepared by Examiner in Charge, Max Weaver, including the review of any objections or rebuttals submitted by the Company regarding the findings of such reports, and drafting of any related Stipulation and Consent Order for the review and approval of the Director. The costs of this examination shall be borne by the Company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of the Company.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Chicago, this 1st day of October, 2012.



Andrew Boron Director

This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

James C Rundblom
Staff Attorney

**DELTA DENTAL OF ILLINOIS
MARKET CONDUCT EXAMINATION**

**STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
ANDREW BORON, DIRECTOR**

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: March 12, 2012, through June 22, 2012

EXAMINATION OF: Delta Dental of Illinois
NAIC #47589

LOCATION OF EXAMINATION: 111 Shuman Boulevard
Naperville, Illinois 60563

**PERIOD COVERED BY
GENERAL EXAMINATION:** January 1, 2011, through
December 31, 2011

**PERIOD OF COMPLAINTS
COVERED BY EXAMINATION:** January 1, 2009, through January 1, 2012

EXAMINERS: Max R. Weaver
Examiner-In-Charge

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Delta Dental Plan of Illinois
Market Conduct Examination Report

I. SUMMARY

The following findings are the result of the Market Conduct Examination:

The Company (hereinafter defined) was criticized under 215 ILCS 5/500-80 for paying commissions on five (5) applications to five (5) entities not duly licensed in Illinois.

The Company was criticized under 215 ILCS 5/500-70(a)(12) for accepting applications from entities not duly licensed in Illinois.

The Company was criticized under 50 Ill. Adm. Code 926.50 for failing to maintain the required minimum required information in their complaint log.

II. PURPOSE

The Market Conduct Examination was held to determine the Company's compliance with the Illinois Insurance Code (215 ILCS 5/), applicable provisions of the Illinois Administrative Code (50 Ill. Adm. Code), and to determine if operations are consistent with the public's interest.

It is possible that not all unacceptable or non-compliant practices have been discovered or noted in this Market Conduct Examination Report ("Report"). The examiner's failure to identify or criticize improper or non-compliant business practices does not constitute the Department's acceptance of such practices.

Delta Dental Plan of Illinois
Market Conduct Examination Report

II. BACKGROUND

The subject of the Market Conduct Examination, Delta Dental of Illinois (the “Company”), is one of 39 independently operated member companies of the Delta Dental Plans Association. The Company’s predecessor, Illinois Dental Service, was granted a charter as an Illinois not-for-profit corporation in September 10, 1967, pursuant to the Dental Service Plan Act. Under the Act, Illinois Dental Service was authorized to establish dental care plans for residents of Illinois. The name Illinois Dental Service was changed to Delta Dental Plan of Illinois effective January 1, 1984, and to Delta Dental of Illinois effective January 1, 2005.

In May 2010, the Company moved its home office location to Naperville, from Lisle, Illinois. The Company is the controlling member of an insurance holding Company system organized and operated pursuant to 215 ILCS 5/131.1. TruAssure Insurance Company (“TruAssure”) is a wholly owned for-profit subsidiary of the Company. TruAssure was originally incorporated on May 23, 1979, under the laws of the State of Delaware, as Security Continental Insurance Company. In February 2004, Security Continental Insurance Company changed its name to TruAssure Insurance Company and changed its state of domicile to Illinois. In 2006, TruAssure entered into a cost sharing agreement with the Company. TruAssure is authorized to transact the business of life and health insurance in 23 states and the District of Columbia. Claims and transactions by TruAssure were not reviewed as part of the Market Conduct examination and are not addressed by this Report.

Although the examiners note the relationship between Delta Dental of Illinois and its subsidiary, TruAssure Insurance Company, the Market Conduct Examination reviewed only the dental-insurance market conduct of Delta Dental of Illinois. As used herein, the term “Company” relates only the dental-insurance business of Delta Dental of Illinois. The Company’s premiums and claims for 2010 and 2011 are summarized below:

Year	Premiums	Claims Paid	Claims Incurred Unpaid
2010	142,065,340	119,058,910	7,978,304
2011	147,121,026	121,259,890	4,842,262

III. METHODOLOGY

Market Conduct Examinations evaluate the systems and procedures an insurer uses in its dealings with insureds and claimants. In the present case, the Market Conduct Examination did not examine all of the Company's systems and procedures but instead focused on a representative sample. The following general categories were examined:

1. Producer Licensing and Production Analysis
2. Policy Forms and Advertising Material Analysis
3. Claims Analysis
4. Complaint Analysis

Examiners analyzed information related to each category to evaluate the Company's compliance with selected Department of Insurance Rules and Regulations and applicable state laws. Examiners reviewed files, policy forms, endorsements and riders, underwriting methods, and advertising materials.

The examination planning and testing methodologies followed standards established by the National Association of Insurance Commissioners ("NAIC"). Testing performed during the review provides a credible basis for the findings and recommendations contained in this Report.

Improper practices are addressed in this Report only if the practices were performed with such frequency as to indicate a flaw in the Company's general business practices. Individual criticisms that were not indicative of a trend are not cited in this Report; said criticisms were otherwise communicated to the Company.

The following methods were used to obtain the required samples to assure a methodical and representative selection of materials.

Producer Licensing and Production Analysis

Populations for the producer file reviews were determined by whether or not the producers were licensed by the State of Illinois. New business listings were retrieved from Company records selecting newly solicited insurance applications that reflected Illinois addresses for the applicants.

Policy Forms

Examiners requested and the Company provided specimen copies of all policy forms in use during the survey period.

Delta Dental Plan of Illinois
Market Conduct Examination Report

Advertising Material Analysis

Examiners requested and the Company provided specimen copies of all advertising material in use during the survey period.

Claims Analysis

Claim surveys were selected using the following criteria:

1. Paid Claims – Payment for coverage made during the examination period.
2. Denied Claims – Denial of benefits for losses not covered by policy provisions.
3. Individual or Franchise Claims – Determine whether the contracts were issued on an individual or franchise basis.

All claims were analyzed for compliance with policy provisions, endorsements, applicable sections of the Illinois Insurance Code (215 ILCS) and the Illinois Administrative Code (50 Ill. Adm. Code).

All median payment periods were measured from the date necessary proofs of loss were received to the date of payment or denial to the insured or the beneficiary.

Illinois Department of Insurance Complaints

Examiners requested and the Company provided all files relating to complaints that had been received via the Department of Insurance as well as those received directly by the Company from the insured or his/her representative. A copy of the Company's complaint register was also reviewed.

Median periods were measured from the date of notification of the complaint to the date of response to the Department of Insurance.

The examination period for Department of Insurance complaints was January 1, 2009, through January 1, 2012.

Delta Dental Plan of Illinois
 Market Conduct Examination Report

SELECTION SAMPLE

SURVEY	POPULATION	# REVIEWED	% REVIEWED
<u>Producer Production Analysis</u>			
Producer Production	1,512	873	100
Terminated Producers	0	0	100
<u>Policy Forms and Advertising</u>			
Policy Forms	59	59	100
Advertising Material	9	9	100
<u>Claims Analysis</u>			
Paid Individual Dental	395	108	33
Denied Individual Dental	326	79	24
Paid HMO Dental	8,617	124	1
Denied HMO Dental	8,963	122	1
Paid Group Dental	703,702	125	1
Denied Group Dental	215,907	125	1
<u>Complaints Analysis</u>			
Department Complaints	31	31	100
Consumer Complaints	5	5	100

Delta Dental Plan of Illinois
 Market Conduct Examination Report

SELECTION SAMPLE

SURVEY	POPULATION	# REVIEWED	% REVIEWED
<u>Producer Production Analysis</u>			
Producer Production	1,512	873	58
Terminated Producers	0	0	100
<u>Policy Forms and Advertising</u>			
Policy Forms	59	59	100
Advertising Material	9	9	100
<u>Claims Analysis</u>			
Paid Individual Dental	395	108	33
Denied Individual Dental	326	79	24
Paid HMO Dental	8,617	124	1
Denied HMO Dental	8,963	122	1
Paid Group Dental	703,702	125	1
Denied Group Dental	215,907	125	1
<u>Complaints Analysis</u>			
Department Complaints	31	31	100
Consumer Complaints	5	5	100

V. FINDINGS

A. Producer Licensing and Production Analysis

1. Terminated Producer

A review of the producer termination files revealed that no producers were terminated for cause.

2. Producer Production

A review of producer production files resulted in two (2) general criticisms.

A general criticism was made under 215 ILCS 5/500-80 for payments of commissions, totaling \$1,357.02, for five (5) dental care applications to five (5) entities not duly licensed in Illinois.

A second criticism was made under 5/500-70(a)(12) for acceptance of applications from entities not duly licensed in Illinois.

B. Policy Forms Analysis

The review of policy forms resulted in no criticisms.

C. Advertising Analysis

The review of the advertising material resulted in no criticisms.

D. Claims Analysis

1. Paid Individual Dental Analysis

A review of 108 of 395 (27%) of the paid individual dental claim files produced no criticisms.

The median for payment was seven (7) days.

2. Denied Individual Dental Analysis

Delta Dental Plan of Illinois
Market Conduct Examination Report

A review of 79 of 326 (24%) of the denied individual dental claim files produced no criticisms.

The median for denial was seven (7) days.

3. Paid HMO Dental Analysis

A review of 124 of 8,617 (1%) of the paid HMO dental claim files produced no criticisms.

The median for payment was twelve (12) days.

4. Denied HMO Dental Analysis

A review of 122 of 8,963 (1%) of the denied HMO dental claim files produced no criticisms.

The median for denial was fifteen (15) days.

5. Paid Group Dental Analysis

A review of 125 of 703,702 (<1%) of the paid group dental claim files produced no criticisms.

The median for payment was seven (7) days.

6. Denied Group Dental Analysis

A review of 125 of 215,907 (<1%) of the denied group dental claim files produced no criticisms.

The median for denial was eight (8) days.

E. Complaint Analysis

1. Department Complaints

A review of 31 department complaint files produced one general criticism. The criticism was made under Section 926.50 of the Illinois Administrative Code (50 Ill. Adm. Code 926.50) for failure to maintain a complaint log containing the minimum required information.

Prior to the termination of the examination, the Company provided the examiner with evidence that changes have been implemented to maintain all required information.

The median for response was twenty (20) days.

Delta Dental Plan of Illinois
Market Conduct Examination Report

2. Consumer Complaints

A review of the five (5) consumer complaint files produced one criticism. The general criticism was made under Section 926.50 of the Illinois Administrative Code (50 Ill. Adm. Code 926.50) for failure to maintain a complaint log with the minimum required information.

Prior to the termination of the examination, the Company provided the evidence that changes have been implemented to include and maintain all required information in the log.

The median for response to consumer complaints was seven (7) days.

STATE OF ILLINOIS)
) ss
COUNTY OF DUPAGE)

Max Weaver, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Delta Dental of Illinois (the "Company") of Naperville, Illinois,

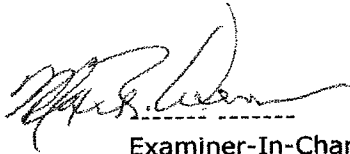
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

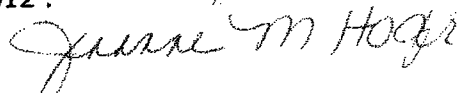
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.

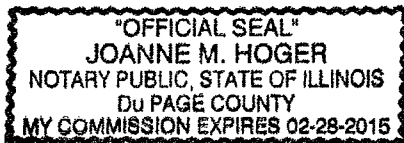


Examiner-In-Charge

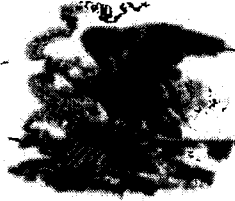
Subscribed and sworn to before me
This 2 day of June,
A. D. 2012 .



Notary Public



STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

Delta Dental of Illinois
111 Shuman Boulevard
Naperville, Illinois 60563

STIPULATION AND CONSENT ORDER

WHEREAS, the Director ("Director") of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Delta Dental of Illinois ("Delta") is authorized under the insurance laws of this State as a Dental Service Plan, for the sole and specific purpose of operating a dental service plan; and

WHEREAS, a market conduct examination of Delta was conducted by duly qualified examiners from the Department pursuant to Sections 132, 401, 401.5, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403 and 5/425); and

WHEREAS, the Department filed an examination report as an official document of the Department as a result of the targeted market conduct examination; and

WHEREAS, said report cited various areas in which Delta was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by or in connection with this Stipulation and Consent Order, shall constitute, or be construed as an admission of fault, liability or wrongdoing of any kind whatsoever by Delta; and

WHEREAS, Delta is aware of and understands the various rights in connection with the examination report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, Delta understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, Delta and the Director, for purposes of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between Delta and the Director as follows:

1. That the market conduct examination indicated various areas in which Delta was not in compliance with the Illinois Insurance Code and/or Department Regulations; and
2. That Delta and the Director consent to this Stipulation and Consent Order requiring Delta to take certain actions to become compliant with certain provisions of the Illinois Insurance Code and/or Department regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that Delta shall:

1. Pay commissions only to duly licensed entities, and institute and maintain procedures so that commissions are only paid to licensed entities as required by 21 ILCS 5/500-80.
2. Only accept applications obtained through duly licensed entities, and institute and maintain procedures so that only applications obtained through duly licensed entities are accepted as required by 215 ILCS 5/500-70(a)(12).
3. Properly maintain its complaint log and institute procedures so that its complaint log is maintained with the minimum required information as required by 50 Ill. Adm. Code 926.5
4. Submit to the Director a civil forfeiture of \$1,000.00 within 30 days of the entry date of this Stipulation and Consent Order.
5. Submit to the Director proof of compliance with the above four (4) Orders within 30 days of the entry date of this Stipulation and Consent Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory actions as set forth in the Illinois Insurance Code, including but not limited to levying additional fees, should Delta violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department regulations.

On behalf of
Delta Dental of Illinois

Hazel S. Fisher-Gable
Signature

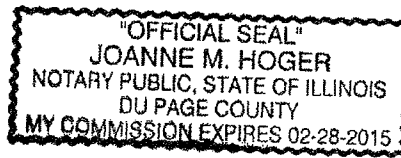
Hazel S. Fisher-Gable
Name

Senior Vice President & Chief Corporate Counsel
Title

Subscribed and sworn to before me this

28th day of February A.D. 2013.

Joanne M. Hoger
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois;

Date: March 6, 2013

Andrew Boron
Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

March 11, 2013

Mr. Bernard Glossy, President
Delta Dental of Illinois
111 Shuman Boulevard
Naperville, IL 60563

Re: ***Delta Dental of Illinois
Market Conduct Examination Report***

Dear Mr. Glossy,

This is in response to your February 22, 2013 letter on this subject.

Attached to your letter was a \$1,000 check in payment of the civil forfeiture set forth in Order # 4 of the Stipulation and Consent Order. Your letter included proof of compliance with Order # 1 through Order # 3 in the Stipulation and Consent Order. These proofs of compliance have been reviewed and are satisfactory.

An original copy of the fully executed Stipulation and Consent Order is enclosed for your records. Accordingly, the Department is closing its file on this exam. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Yours Truly,

A handwritten signature in black ink that reads "James C. Rundblom".

James C. Rundblom
Deputy General Counsel